

## Patient 1<sup>st</sup> Sharing of Savings Calculation Methodology

- April 1, 2005, through March 31, 2006, is the time period and is based on the performance measures and costs reflected on the Profiler.
- Monies will be distributed based on PMP enrollment whether the PMP is a group enrollment or an individual practitioner. All PMPs are categorized into peer groups based on their declared specialty.
- The shared savings, \$5.76 million, was equally divided between a performance pool and an efficiency pool. Efficiency is based on total Medicaid costs per patient for each month the patient is in the panel (member months).
- All measures and costs have been adjusted based on Resource Utilization Bands, taking into account the patient's morbidity which affects the patient's level of service utilization.
- The bottom fourth (quartile) of each peer group does not participate in the shared savings for the pool under consideration. When the applicable score included PMPs in both the fourth and the third quartiles, the next lower score was used as the cutoff for sharing.
- The performance measures are:
  - Generic Dispensing Rate: The percentage of generic prescriptions ordered for the PMPs panel as compared to the peer group.
  - Visits Per Unique Member: Average number of visits per recipient seen by the PMP as compared to the peer group. This measure is annualized.
  - Number of Non-Certified Emergency Room Visits: Average number of recipients that are utilizing the emergency room as compared to the peer group. This measure is annualized.
- **EFFICIENCY:** The actual expenditures compared to the expected expenditures is calculated. The percent variance is determined, and based on the ranking of the variance of all PMPs, a score is applied. The score is then multiplied by the member months to determine the "share points". Each point is worth \$0.2105 in shared savings from the efficiency pool.
- **PERFORMANCE:** For each of the three measures, the actual is compared to the expected. The percent variance is determined, and based on the ranking of the variance of all PMPs, a score is applied. The combined score for all three measures is then multiplied by the member months to determine the "share points". Each point is worth \$0.0444 in shared savings from the performance pool.

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- While some PMPs do not share in the performance pool and some do not share in the efficiency pool, only 67 (6.2%) of the 1,088 enrolled PMPs will receive no share of the Patient 1<sup>st</sup> savings.
- PMPs will receive a “check stub” via mail showing their scores and respective share of the two savings pools. The actual money will be a line item adjustment on the 4/20/07 EOP.
- PMPs may visit our website at [www.medicaid.alabama.gov](http://www.medicaid.alabama.gov) for additional details, or they contact Dr. John Searcy at [john.searcy@medicaid.alabama](mailto:john.searcy@medicaid.alabama) or (334) 242-5619 with questions or Kim Davis-Allen at [kim.davis-allen@medicaid.alabama.gov](mailto:kim.davis-allen@medicaid.alabama.gov) or (334) 242-5011.